



October 7, 2013

**VIA ECFS**

Ms. Marlene H. Dortch,  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, DC 20554

**RE:** GN Docket No. 12-268, *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*  
AU Docket No. 13-178, *Auction of H Block Licenses in the 1915-1920 MHz and 1995-2000 MHz Bands; Comment Sought on Competitive Bidding Procedures for Auction 96*  
GN Docket No. 13-185, *Amendment of the Commission's Rules with Regard to Commercial Operations in the 1695-1710 MHz, 1755-1780 MHz, and 2155-2180 MHz Bands*

Dear Ms. Dortch:

Carolina West Wireless, Inc. (Carolina West) urges the Commission to adopt smaller geographic license areas for all upcoming FCC spectrum auctions,<sup>1</sup> and particularly for the incentive auction of 600 MHz spectrum. Licensing spectrum in smaller geographic areas will yield several positive benefits: it will maximize bidder participation in any auction—thus maximizing auction revenues (and increasing the amount of funding for FirstNet); it will ensure that services are quickly deployed to more Americans, including those that live in rural parts of the country; and, for the incentive auction, it will allow for enhanced market-by-market flexibility in reclaiming broadcast spectrum. Therefore, several public interest objectives would be fulfilled by the Federal Communications Commission (FCC or Commission) adopting Cellular Market Areas (CMAs) for all upcoming auctions.

Carolina West was formed in 1991 as a partnership of several local telephone companies. Headquartered in Wilkesboro, North Carolina, Carolina West is committed to providing its customers innovative technology, including data and mobile services, the latest wireless equipment and competitive wireless plans. Carolina West operates primarily in the western portion of North Carolina, and prides itself on delivering quality service to rural North Carolina.

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<sup>1</sup> *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*, Notice of Proposed Rulemaking, 27 FCC Rcd 12357 (2012) (Incentive Auctions NPRM); *Auction of H Block Licenses in the 1915-1920 MHz and 1995-2000 MHz Bands; Comment Sought on Competitive Bidding Procedures for Auction 96*, Public Notice, AU Docket No. 13-178, DA 13-1540 (rel. July 15, 2013); *Amendment of the Commission's Rules with Regard to Commercial Operations in the 1695-1710 MHz, 1755-1780 MHz, and 2155-2180 MHz Bands*, Notice of Proposed Rulemaking and Order on Reconsideration, GN Docket No. 13-185, FCC 13-102 (rel. July 23, 2013).

Carolina West holds nine AWS-1 A Block licenses that it won in Auction 66, paying a total of \$4.621 million for these licenses in that auction. AWS-1 A Block licenses were offered based on CMAs, and Carolina West's markets include CMAs 85 (Johnson City-Kingsport, TN-VA), 166 (Hickory, NC), 183 (Asheville, NC), 565 (North Carolina 1 – Cherokee), 566 (North Carolina 2 – Yancey), 567 (North Carolina 3 – Ashe), 568 (North Carolina 4 – Henderson), 646 (Tennessee 4 – Hamblen), and 650 (Tennessee 8 – Johnson). As of the 2010 Census, these CMAs covered a population fewer than 2.4 million people (2,391,518).

Were the Commission to license the 600 MHz spectrum on the basis of Economic Areas (EAs), Carolina West would be forced to bid on ten EAs—17, 18, 23, 40, 41, 42, 44, 45, 46 and 47—just to win spectrum to cover the counties within its current service footprint.<sup>2</sup> In this example, Carolina West would have to bid on spectrum covering metropolitan portions of North Carolina (such as Charlotte, Winston-Salem and Greensboro), large swaths of Georgia (including Atlanta) and Tennessee (including Knoxville), and even portions of Virginia and West Virginia. All told, Carolina West would have to bid on spectrum covering over 18 million POPs, when its core markets cover a much smaller footprint as noted above, somewhere closer to 2.5 million POPs.

Carolina West simply does not have the financial wherewithal to bid on ten separate EAs encompassing almost eight times the number of pops it currently serves. If the Commission adopts EAs, Carolina West will not participate in the 600 MHz auction, and similarly sized carriers will almost certainly also be foreclosed from participating in the auction. This would significantly diminish auction participation, bidding activity and prices, and would afford a windfall to the very few large carriers that would be able to participate in the auction. Not only would auction revenues be diminished by use of EAs, but competitive carriers' efforts to deploy high-speed, mobile broadband service to rural America would also be jeopardized.

On the other hand, CMAs would increase both participation in, and revenues generated through upcoming spectrum auctions. For example, nearly 100 smaller or rural carriers participated in Auction 73—and most of the participating carriers bid on CMA licenses.<sup>3</sup> And the block of spectrum made available in smaller geographic areas generated more revenue on a MHz-pop basis than the blocks allocated based on larger geographic areas.<sup>4</sup> With smaller geographic areas, more carriers are able to bid for more licenses, and the increased number of bidders leads to higher revenue. Use of large geographic areas risks significantly reducing the number of potential bidders for licenses, thereby reducing potential auction revenue.

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<sup>2</sup> This assumes the Commission uses EAs as they existed in 1995.

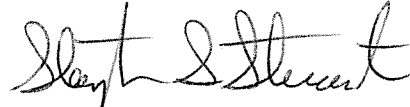
<sup>3</sup> See *Ex Parte* Letter from Rebecca Murphy Thompson, General Counsel, Competitive Carriers Association to Marlene H. Dortch, Secretary, Federal Communications Commission, WT Docket No. 12-69 *et al.* at 2 (filed June 28, 2013). In addition to the almost \$2 billion competitive carriers paid for licenses in Auction 73, these small entities also bid \$1.2 billion for licenses that larger providers ultimately paid \$1.6 billion to win—driving an additional \$400 million in revenue that most likely wouldn't have materialized had these carriers not participated and increased bid amounts.

<sup>4</sup> The Upper C Block, auctioned in 12 Regional Economic Area Groups, sold for only \$0.76/MHz-pop. The Lower A Block, auctioned in smaller areas through 176 EAs, sold for \$1.16/MHz-pop. And the Lower B Block, auctioned in even smaller areas, 734 CMAs, sold for \$2.68/MHz-pop.

CMAs strike the right balance and would be an effective geographic unit that would give rural and regional carriers reasonable opportunities to bid, increasing competition in the auction room thereby maximizing auction revenue. But to achieve these public interest goals, the Commission must license spectrum offered in upcoming auctions on the basis of CMAs.

This *ex parte* notification is being filed electronically with your office pursuant to Section 1.1206 of the Commission's Rules.

Sincerely,

A handwritten signature in black ink, appearing to read "Slayton Stewart". The signature is fluid and cursive, with the first name "Slayton" and last name "Stewart" clearly distinguishable.

Slayton Stewart  
Chief Executive Officer  
Carolina West Wireless, Inc.

cc (via email): Mr. Gary Epstein  
Ms. Ruth Milkman  
Mr. Jim Schlichting  
Mr. John Leibovitz  
Ms. Susan Singer  
Mr. Tom Peters  
Mr. Brett Tarnutzer  
Mr. Joel Taubenblatt